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Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D. C. 20554

JUL 14 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
) CC Docket No. 95-72
End User Common Line)
)

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REPLY

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its Reply to Comments filed in the above referenced proceeding.

On May 30, 1995, the Commission issued a Notice of Proposed Rulemaking (NPRM) inviting parties to comment on a number of issues involving the application of subscriber line charges (SLCs) to local loops used in the provision of Integrated Services Digital Network (ISDN) and other services that permit the provision of multiple derived channels to a customers over a single facility.¹ The comments filed in response to the NPRM provide the Commission with a clear view of the course it must take in this proceeding. In order to assure the continued development and deployment of ISDN services, the Commission must act now by adopting a rule whereby ISDN customers will be assessed a single SLC per service. Any other option would impede the development of this important new technology. Commission action on ISDN need not await a comprehensive review of subscriber line charges (SLCs) and other cost

¹ End User Common Line Charges, Notice of Proposed Rule Making, CC Docket No. 95-72, Released May 30, 1995.

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recovery mechanisms.

In the NPRM the Commission proposed several options for assessing SLCs to ISDN services: (1) one SLC per-facility; (2) one SLC per-derived channel; (3) SLCs based upon a ratio of average costs (4) a reduced number of SLCs accompanied by a small increase in SLC rates or a price cap adjustment to prevent a reduction in SLC revenues from causing an increase in Carrier Common Line (CCL) charges.

The Commission cautioned against adopting a solution that would create regulatory barriers to the development of beneficial new technologies such as ISDN. At the same time, the Commission stated that they would not issue rules which favored new technologies unless any difference in the regulatory treatment of new technologies and services had a sound public policy basis.²

Of the over thirty comments filed, the majority of the end user groups, information service providers and the Local Exchange Carriers (LECs) support the adoption of the single SLC per-facility (service) option.³ In addition, the

² Id. at ¶ 9.

³ See e.g., Comments of American Petroleum Institute; David B. Banas; West Virginia University; Cable & Wireless; America Online, GE Information Services, Inc., and Prodigy; Center for Democracy and Technology; All Freight Services; Time Warner Communications Holdings, Inc.; Communications Managers Association; Information Technology Industry Council; Siskiyow Telephone; Pacific Telesis; NYNEX; Roseville Telephone; National Telephone Cooperative Association; Rural Telephone Coalition; United States Telephone Association; Southwestern Bell Telephone Company; BellSouth; Rochester Telephone Corp; GTE; Microsoft.

comments provide the Commission with ample support that adoption of any other approach, such as application of SLCs based on a per-derived channel basis would be contrary to the public interest because it would seriously impede deployment of ISDN and delay the development of the National Information Infrastructure (NII).⁴ Thus, adoption of the per-facility option is sound public policy based upon a strong public interest showing.

A few of the commenting parties urge the Commission to employ a cost based approach to assessing SLCs for ISDN.⁵ However, none of these comments present any compelling reason for the Commission to adopt such an approach at this time.⁶ The appropriate application of SLCs based on cost ratios and other cost factors must be determined as part of a far broader inquiry of access charge regulation. Numerous complex methodologies and policy issues surround such

⁴ GTE at 13.

⁵ See e.g., US West, Texas PUC, California Bankers Clearing House Association et al.

⁶ On the other hand, as BellSouth stated in its Comments, the multichannel capability that the end users can obtain through ISDN are not derived through adding equipment to the loop facilities, but rather through different line cards that are part of the switch. The cost of that multichannel capability, then, is not allocated to the interstate jurisdiction as a nontraffic sensitive loop cost, nor should it be recovered through end user or carrier common line charges. Again, it must not be overlooked that the multichannel capability is paid for by the ISDN subscriber through the local charges for the ISDN service. When this fact is considered it can readily be seen that applying multiple SLCs to ISDN service leads to economic inequity.

approaches not the least of which would require the Commission to identify classes of services and/or users that would constitute appropriate groups for analysis. This rulemaking is not the appropriate forum for the Commission to engage in such an undertaking.

Finally, concerns raised by parties such as AT&T that adoption of the per-facility charge will immediately cause an increase in CCL charges are unwarranted.⁷ However, like Rochester, BellSouth would not object to a capping mechanism, such as the method proposed by the Commission, to ensure that CCL rates do not rise as a result of applying SLC's on per-service basis.⁸

⁷ Center for Democracy and Technology, BellSouth, TIME Warner, USTA.


⁸ Rochester at 4 and NPRM at ¶ 34.

For the forgoing reasons, BellSouth urges the Commission to act now on ISDN by adopting the per-facility charge option and defer further examination of SLCs and other issues involving the recovery of local loop costs to a comprehensive reform proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I have this 14th day of July, 1995 served all parties to this action with a copy of the foregoing REPLY by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.



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